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Toronto

RAPID GRIP AND BATTEN, LIMITED 1968 ANNUAL REPORT



RAPID GRIP AND BATTEN, LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 1968

ASSETS

1968

1967

CURRENT

Cash	\$ 43,711	\$ 276,565
Accounts receivable	1,587,596	1,285,521
Materials, supplies and work in process at the lower of cost and net realizable value . .	220,752	228,141
Advances to supplier less reserve	73,969	79,979
Prepaid expenses	<u>36,166</u>	<u>67,626</u>
	1,962,194	1,937,832

INVESTMENTS — AT COST

Shares in and advances of \$85,650 to associated companies	162,651	162,651
Mortgages	79,463	104,462
Cash surrender value of life insurance	220,130	190,901
Other investments	<u>20,590</u>	<u>23,028</u>
	482,834	481,042

FIXED

Plants and properties at cost	4,925,422	4,784,337
Less accumulated depreciation	<u>3,071,134</u>	<u>2,931,876</u>
	1,854,288	1,852,461
	\$4,299,316	\$4,271,335

On behalf of the Board
R. A. Batten, Director
D. R. Keedwell, Director

	1968	1967	LIABILITIES
<hr/>			
Bank indebtedness	\$ 114,151	\$ —	CURRENT
Accounts payable and accrued	652,560	583,792	
Dividends payable	24,690	24,847	
Income taxes payable	53,998	157,583	
Bonds payable, less funds held by Trustee (Note 2)	108,017	43,916	
Mortgage payable	<u>—</u>	<u>71,035</u>	
	953,416	881,173	
<hr/>			
	65,700	89,792	DEFERRED INCOME TAXES
<hr/>			
	7,392	122,992	LONG-TERM DEBT (NOTE 2)
<hr/>			
Share capital	945,313	956,813	SHAREHOLDERS' EQUITY (NOTE 3)
Retained earnings	<u>2,327,495</u>	<u>2,220,565</u>	
	<u>3,272,808</u>	<u>3,177,378</u>	
	\$4,299,316	\$4,271,335	
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REPORT TO SHAREHOLDERS

On behalf of the Board of Directors, I am presenting the Company's Consolidated Balance Sheet at December 31, 1968, Consolidated Statements of Earnings and Retained Earnings and Working Capital for the year together with the Auditors' Report to the Shareholders.

OPERATIONS — Like many Canadian industries we faced a post centennial year in which the Expo '67 volume was not repeated. Although consolidated sales for the Company were up 4.7%, due in part to the sales of newer products, sales in our established and more profitable lines of manufacture declined. An added factor was that a substantial part of the advertising dollar was directed from the mass media to point of purchase, sampling and other areas. National newspaper advertising, a major user of our products, declined again this year to 23% of net media advertising revenue.

□ Many industries with variable labour costs compensate for reduced demand with staff layoffs but our specialized operations demand skilled technical personnel and result in a more fixed labour cost than normal manufacturing. Relative profit increase or decline is consequently magnified by a change in sales volume.

□ During the year we have concentrated on strengthening and modernizing our sales structure which culminated in several new management appointments made in both Ottawa and Toronto. A complete reorganization of the Toronto sales management staff was introduced to cope with this major market.

□ In spite of a drop in earnings the Company's general financial position continues to be satisfactory.

NEW PRODUCTS AND DIVERSIFICATION — A number of major research projects have been instituted during the year in our research laboratories in Toronto and Montreal. These have resulted in the introduction of exclusive new and

improved products for the Graphic Arts industry.

☐ TYPEL (TYPE "L" — Laminated, Lightweight, Long-Life printing plate) surpasses anything yet produced in the duplicate plate-making industry. Of special value in the printing of cartons, it is capable of press runs in excess of a million impressions with little or no visual signs of wear.

☐ BATTENTEC facsimile embossing plates have introduced a new departure in a field that previously required special art work and hand cut dies. Now, most dimensional and textured surfaces can be reproduced with facility and economy.

☐ RAPID-FLEX plastic press plates for the direct printing of newspaper colour have proven to be a most outstanding development with interest and enquiries coming from the U.S.A. and Europe.

☐ A major development in the field of diversification has been the establishment of our Industrial Products Division specializing in the chemical milling of precision parts for the electronic and electrical industries. The complete facilities of this Toronto based operation are housed in an air-conditioned production laboratory staffed with a group of technical experts using some of today's most sophisticated equipment.

ADVERTISING AND PUBLIC RELATIONS —

We are proud to have been the recipient of a number of international awards for creativity in art and photography during the year. A mark of recognition within the Graphic Arts industry that is greatly prized and appreciated.

☐ Our new products and developments received extensive news coverage in all the major trade publications which resulted in our most effective publicity in a decade.

☐ The major portion of our advertising was devoted to direct mail. A series of six colourful posters were produced each featuring a particular type of printed reproduction. In addition, a number of folders

the consolidated financial statements include the accounts of company and its subsidiaries. long-term debt represents 5½% payable due July 1, 1970. The outstanding balance of the 5% First Mortgage Sinking Fund Bonds is \$157,500 as at June 1, 1969 and is included with current liabilities. Share Capital

Authorized 10,000 6% cumulative non-voting preferred shares with a par value of \$100 each and callable at \$104
Issued 4,000
Purchased for cancellation 200
Outstanding 3,800

Authorized 200,000 60¢ cumulative non-voting Class A shares and 200,000 common shares, all without nominal or par value

	Class A Shares	Common Shares	
Issued and outstanding	<u>126,500</u>	<u>178,500</u>	<u>565,313</u>
			<u>\$945,313</u>

Preferred shares have been purchased for cancellation as authorized by the Board of issue and include 115 shares purchased during the year. As a result of such purchases retained earnings in the amount of \$20,000 and equivalent to the par value of the shares cancelled are not available for distribution.

The total amount of sales or revenue derived from the operations of the Company required to be disclosed in the financial statements under Section 117 of the Companies Act has been determined pursuant to an Order of the Court of Justice of Ontario.

The aggregate amount of \$180,720 paid in 1968 by the Company for directors' remuneration including amounts paid to the directors as officers and employees.

6. The Company has guaranteed loans of associated companies to the extent of \$179,000 and subsequent to the date of the financial statements a guarantee of \$75,000 has been executed with respect to a loan to a related company.

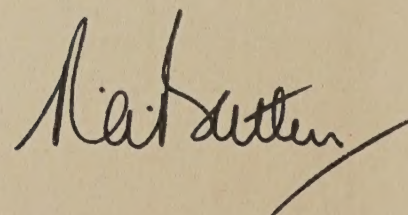
emphasized and illustrated the outstanding features and advantages of the Industrial Products Division, Typel Plates and Precision Copy for Recording Charts. Aimed at specific and compact markets, we believe this type of direct mail advertising is the most effective for our purpose.

OUTLOOK — In a business such as ours it is difficult to estimate future sales and earnings with any degree of certainty but business prospects look better for 1969. Increased sales are expected and we are entering this challenging year with confidence and a capable and experienced management team.

More favourable results from our motion picture operations are indicated partly as a result of our entry into the field of educational, industrial and sales-training films as well as the re-organization of our creative production personnel. More active participation in the motion picture processing business should enhance 1969 profits and will play an important role in establishing our operation as the finest and most complete in Canada.

APPRECIATION — It is recognized by the directors that the success of the Company is dependent upon the interest, ability and loyal service of all employees to the organization. This has always been one of our strongest assets.

☐ I wish to express our thanks to the staff for their work and loyal co-operation.

A handwritten signature in dark ink, appearing to read "Neil Sutton", with a long, sweeping horizontal stroke extending to the right.

President

ES TO CONSOLIDATED FINANCIAL STATEMENTS
EMBER 31, 1968.

DIRECTORS

R. A. Batten, Sr.
J. H. Batten
R. A. Batten
W. H. Batten
C. A. Brook
R. O. Funston
K. E. Hopkins
D. R. Keedwell
D. J. Walker

OFFICERS

J. H. Batten,
Chairman of the Board
R. A. Batten,
President
W. H. Batten,
Executive Vice-President
D. R. Keedwell,
Vice-President and Secretary
K. E. Hopkins,
Vice-President Sales
R. W. Porter,
Comptroller

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company, Toronto-Shares
Guaranty Trust Company of Canada,
Toronto-Bonds

AUDITORS

Touche, Ross, Bailey & Smart

BANKERS

The Royal Bank of Canada

SOLICITORS

Walker, Rice, Ellis & Pezzack

HEAD OFFICE

224 Richmond Street West, Toronto

consolidated financial
statements include the accounts of
company and its subsidiaries.
long-term debt represents 5½%
maturity due July 1, 1970. The
outstanding balance of the 5% First
Mortgage Sinking Fund Bonds
Series A amounting to \$157,500
matures June 1, 1969 and is
secured with current liabilities.
Paid-up Capital

Authorized 10,000 6% cumulative
non-voting preferred shares with a par
value of \$100 each and callable at \$104

Issued 4,000
Purchased for cancellation 200
Outstanding 3,800

Authorized 200,000 60¢ cumulative
non-voting Class A shares and 200,000
common shares, all without nominal or
par value

Issued and outstanding

Preferred Shares	Amount
4,000	\$400,000
200	20,000
<u>3,800</u>	<u>380,000</u>

Class A Shares	Common Shares	
<u>126,500</u>	<u>178,500</u>	<u>565,313</u>
		<u>\$945,313</u>

Preferred shares have been purchased for cancellation as authorized by the
Board of issue and include 115 shares purchased during the year. As a result
of such purchases retained earnings in the amount of \$20,000 and equivalent
par value of the shares cancelled are not available for distribution.

The total amount of sales or
revenue derived from the
operations of the Company required
to be disclosed in the financial
statements under Section 117 of the
Ontario Corporations Act has been
provided pursuant to an Order of the
Ontario Justice of Ontario.

The aggregate amount of \$180,720
paid in 1968 by the Company for
directors' remuneration including
fees paid to the directors as
well as salaries and employees.

6. The Company has guaranteed
loans of associated companies to
the extent of \$179,000 and
subsequent to the date of the
financial statements a guarantee of
\$75,000 has been executed with
respect to a loan to a related
company.

COMPANIES

RAPID GRIP AND BATTEN, LIMITED

HEROLD & GARBE
a division of
Rapid Grip and Batten,
Limited

RABKO
TELEVISION PRODUCTIONS
CO. LIMITED

MEDALLION
FILM LABORATORIES LIMITED

ARNOTT ROGERS BATTEN LTD.

FAIRBAIRN STUDIO LIMITED

ART ASSOCIATES LIMITED

ES TO CONSOLIDATED FINANCIAL STATEMENTS
EMBER 31, 1968.

Toronto
D. S. GUEST, *Manager*
Ottawa
D. A. WILLIAMS, *Manager*
Montreal
R. L. MUNRO, *Manager*

Toronto
W. A. HEROLD, *Manager*

Toronto
D. C. MCLEAN, *Manager*

Toronto
W. C. JAMES, *Manager*

Montreal
G. F. ROGERS, *President*

Ottawa
D. A. WILLIAMS, *Manager*

Toronto
R. G. SCOTT, *Manager*

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financial statements a guarantee of
\$75,000 has been executed with
respect to a loan to a related
company.

AUDITORS' REPORT

To The Shareholders,
Rapid Grip and Batten, Limited.

☐ We have examined the consolidated balance sheet of Rapid Grip and Batten, Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of earnings and retained earnings and working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

☐ In our opinion these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1968, the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart
Chartered Accountants.

Toronto, Ontario,
March 28, 1969.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1968.

1. The consolidated financial statements include the accounts of the Company and its subsidiaries.

2. Long-term debt represents 5½% mortgage due July 1, 1970. The outstanding balance of the 5% First Mortgage Sinking Fund Bonds Series A amounting to \$157,500 matures June 1, 1969 and is included with current liabilities.

3. Share Capital

Authorized 10,000 6% cumulative redeemable preferred shares with a par value of \$100 each and callable at \$104

	Preferred Shares	Amount
Issued	4,000	\$400,000
Less purchased for cancellation	<u>200</u>	<u>20,000</u>
Outstanding	<u>3,800</u>	<u>380,000</u>

Authorized 200,000 60¢ cumulative participating Class A shares and 200,000 common shares, all without nominal or par value

	Class A Shares	Common Shares	
Issued and outstanding	<u>126,500</u>	<u>178,500</u>	<u>565,313</u>
			<u>\$945,313</u>

Preferred shares have been purchased for cancellation as authorized by the terms of issue and include 115 shares purchased during the year. As a result of such purchases retained earnings in the amount of \$20,000 and equivalent to the par value of the shares cancelled are not available for distribution.

4. The total amount of sales or gross revenue derived from the operations of the Company required to be disclosed in the financial statements under Section 117 of the Canada Corporations Act has been omitted pursuant to an Order of the Chief Justice of Ontario.

5. An aggregate amount of \$180,720 was paid in 1968 by the Company for directors' remuneration including amounts paid to the directors as officers and employees.

6. The Company has guaranteed loans of associated companies to the extent of \$179,000 and subsequent to the date of the financial statements a guarantee of \$75,000 has been executed with respect to a loan to a related company.

RAPID GRIP AND BATTEN, LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1968.

	1968	1967
Earnings from operations before taking into account the following items	\$ 549,404	\$ 685,245
Deduct		
Depreciation	182,034	179,318
Bond interest	7,875	10,971
Other interest	5,236	21,236
	<u>195,145</u>	<u>211,525</u>
	354,259	473,720
Add		
Investment and other income	26,825	22,040
Interest recovered on expropriation settlement . . .	—	79,607
Earnings before income taxes	<u>381,084</u>	<u>575,367</u>
Income taxes	<u>176,539</u>	<u>300,279</u>
Net earnings	204,545	275,088

Add		
Surplus on purchase of preferred shares	1,505	520
Surplus on expropriation settlement	—	47,000
	<u>206,050</u>	<u>322,608</u>
Deduct		
Dividends on preferred shares	23,220	23,655
Dividends on Class A shares	75,900	75,900
	<u>99,120</u>	<u>99,555</u>
Increase in retained earnings for the year	106,930	223,053
Retained earnings beginning of year	<u>2,220,565</u>	<u>1,997,512</u>
Retained earnings end of year	\$2,327,495	\$2,220,565

CONSOLIDATED STATEMENT OF WORKING CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967	
			SOURCES OF
Operations			WORKING CAPITAL
Net earnings	\$ 204,545	\$ 275,088	
Items not requiring an outlay of funds			
Depreciation	<u>182,034</u>	<u>179,318</u>	
	386,579	454,406	
Less decrease in deferred income taxes	<u>24,092</u>	<u>2,755</u>	
	362,487	451,651	
Other			
Surplus on purchase of preferred shares	1,505	520	
Surplus on expropriation settlement	—	47,000	
Proceeds of common shares issued under stock options	<u>—</u>	<u>24,225</u>	
	363,992	523,396	
			APPLICATION OF
Increase in assets			WORKING CAPITAL
Plants and properties	183,861	413,241	
Investments	1,792	92,099	
Decrease in liabilities			
Long-term debt	115,600	51,623	
To shareholders			
Purchase of preferred shares	11,500	8,500	
Dividends	<u>99,120</u>	<u>99,555</u>	
	411,873	665,018	
Net decrease in working capital for the year	47,881	141,622	
Working capital beginning of year	1,056,659	1,198,281	
Working capital end of year	\$1,008,778	\$1,056,659	

